

# Human Capital – one of the foundations of Lean Best Practices

*This is the first of three in a series by Dr. Hill about Lean Best Practices.*

Lean is built on a few key foundation stones. Human capital considerations in Lean will make or break your Lean initiative. Lean has gone by many names even before Womack's *The Machine That Changed the World* referred to TPS as Lean. Throughout that history, Lean has always relied on getting the right person to the right job at the right time and keeping that person engaged.

Failure to get the human capital foundation issues right will mean that an organization runs a 50:50 chance of success.

This article addresses the human capital driving points that will make Lean a success. Toyota's success is used as a backdrop since Toyota embraces human capital and continuous improvement equally. Some changes within Toyota are discussed as are the human capital risk factors. The conclusion reflects client and Toyota successes and presents five immediately addressable issues.

I've talked about Lean best practices for 25 years. I tell businesses they can challenge global leaders by improving human capital (HC) and work processes. My clients have been successful, but when I look at all the books about Lean and Toyota, I have to ask, "Why have others failed?"

For all its success, Lean has failures. The good news is that failures are predictable, hence preventable.

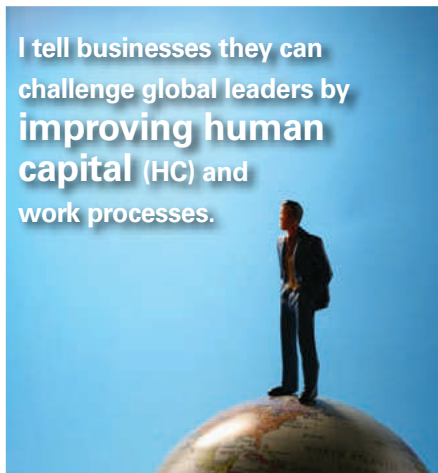
Lean success is most at risk when we fail to address HC first. If people and performance management issues aren't right, how will you build Lean success?

If your surgeon went to a school with the following error rates, would you want a scalpel in that hand? Errors in employee selection (up to 80 per cent); failures in employee training (up to 95 per cent); no transfer of training to success at work; failures in gathering feedback from employees and customers (up to 90 per cent); and up to 75 per cent don't have

performance management and can't close accountability loops

We know HC and Lean best practices will bring:

- Better hiring;
- Better training;



- Better performance management; and
- Savings from lost sales.

HC errors compound, just like errors early in the value stream get more expensive as value and work are added downstream. If this sounds important, remember that four out of five firms must cut operating costs. They must address their HC needs first to get and keep those Lean cost savings.

In the 1980s, I argued that the foundations of Lean go beyond flow and just in time, leading Jeffrey Liker's *Toyota Talent: Developing Your People The Toyota Way* by almost 20 years. Lean tools are 20 per cent of the answer with true Lean culture and leadership (i.e., HC) driving 80 per cent of the success. Company accountants and "instant experts" can't build a Lean culture.

### THREE BIG FAILURES

My research showed that most companies are lucky if the base rate for failures for organizational initiatives is 50:50.

Paul Nutt, author of *Why Decisions Fail: Avoiding the Blunders and Traps that Lead to Debacles*, said that managers

very often make three common mistakes that lead to a 50:50 success rate:

- 1) They rush to judgment;
- 2) They misuse their resources; and
- 3) They use failure-prone tactics to make bad decisions over and over again.


Human capital in Lean is even more important when we remember that Toyota does two things really well — build human capital and process improvement. This is something that Toyota Talent emphasizes, but people don't really do.

Toyota's philosophy for manufacturing excellence has been expressed as: "Brilliant process management is our strategy. We get brilliant results from average people managing brilliant processes. We observe that our competitors often get average (or worse) results from brilliant people managing broken processes."

Keep your eye on the measurable. Keep a "do, don't talk about it" spirit at the gembu level (the level at which the work actually happens, for example, on the factory floor and not in a manager's office.) Keep instant Lean "experts" away from your work or ask them how much they saved previous clients and talk to those clients yourself.

### EARN \$3, LOSE \$2

I've argued that for every \$3 you earn, you lose \$2 without best practices with people and process. We know millions are spent on decisions that don't bring real value. Lean will help us to improve manufacturing, healthcare, wait times, quality of service and more.

Get an assessment about HC and process best practices. Set a baseline and real targets. Close the Lean gaps, make standard work and move to the next opportunity. Countermeasures are not Band-Aids! Keep the earnings you worked for! 

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